

GENESIS SERVICES, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

GENESIS SERVICES, INC.

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HIGGINSON & MORRELL, P.C.
Certified Public Accountants

Board of Directors
Genesis Services, Inc.
Salt Lake City, Utah

We have reviewed the accompanying statement of financial position of Genesis Services, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Genesis Services, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Higginson & Morrell, P.C.

November 10, 2005

GENESIS SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005
See Accountant's Report

ASSETS

ASSETS	
Accounts receivable	\$ 13,858
Advances to employees	264
Prepaid expenses	1,984
Security deposits	725
Equipment, net of depreciation of \$6,945	<u>164</u>
TOTAL ASSETS	<u><u>\$ 16,995</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 3,010
Cash overdraft	2,510
Accrued liabilities	7,013
Loans from officers	24,757
Bank loan - line of credit	<u>4,372</u>
TOTAL LIABILITIES	<u>41,662</u>
NET ASSETS	
Unrestricted	<u>(24,667)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,995</u></u>

The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
 See Accountant's Report

	<u>Net Assets Unrestricted</u>
REVENUES	
Program fees - supportive job based training	\$ 162,298
Program fees - companion services	5,500
Program fees - supported living	4,124
Miscellaneous income	808
Contributed interest income	1,395
Contributions	<u>1,500</u>
TOTAL REVENUE	<u>175,625</u>
EXPENSES	
Program services:	
Supportive job based training	155,839
Companion services	3,604
Supported living	2,367
Supporting services:	
Management and general	<u>23,812</u>
TOTAL EXPENSES	<u>185,622</u>
INCREASE (DECREASE) IN NET ASSETS	(9,997)
NET ASSETS - BEGINNING OF YEAR	<u>(14,670)</u>
NET ASSETS - END OF YEAR	<u><u>\$ (24,667)</u></u>

The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005
See Accountant's Report

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (9,997)
Adjustments to reconcile increases in net assets to net cash provided by operating activities:	
Depreciation	36
(Increase) decrease in operating assets:	
Accounts receivables	6,512
Prepaid expenses	92
Advances to employees	166
Increase (decrease) in operating liabilities:	
Accounts payable	(620)
Accrued liabilities	<u>(4,706)</u>
Net cash used by operating activities	<u>(8,517)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of officer loans	(1,938)
Borrowings on line of credit	<u>1,527</u>
Net cash used from financing activities	<u>(411)</u>

NET INCREASE (DECREASE) IN CASH (8,928)

CASH - BEGINNING OF YEAR 6,418

CASH - END OF YEAR \$ (2,510)

SUPPLEMENTAL DATA

Interest paid \$ 1,138

The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005
See Accountant's Report

	PROGRAM SERVICES			SUPPORTING SERVICES	
	Supportive Job Based Training	Companion Services	Supported Living	Total	Management & General
SALARIES & RELATED EXPENSES					TOTAL 2005
Salaries	\$ 109,621	\$ 2,684	\$ 1,787	\$ 114,092	\$ 17,793
Payroll taxes	8,859	251	126	9,236	1,171
Other benefits	2,186	108	73	2,367	349
Workers compensation	620	15	10	645	91
					736
TOTAL SALARIES & RELATED EXPENSES	121,286	3,058	1,996	126,340	19,404
					145,744
OTHER EXPENSES					
Legal and accounting	1,800	-	-	1,800	-
Postage and shipping	248	-	-	248	-
Office supplies	1,567	-	-	1,567	-
Program supplies	488	-	-	488	-
Rent	6,866	173	113	7,152	1,098
Insurance	4,280	145	109	4,534	-
Travel and transportation	9,375	-	-	9,375	-
Communication	3,685	93	61	3,839	589
Staff training and conferences	450	-	-	450	-
Payroll processing	1,415	36	23	1,474	225
Marketing	457	-	-	457	-
Utilities	1,584	40	26	1,650	253
Interest	2,108	53	35	2,196	336
Repairs and maintenance	230	6	4	240	36
Miscellaneous	-	-	-	-	1,835
					1,835
TOTAL EXPENSES	155,839	3,604	2,367	161,810	23,776
					185,586
Depreciation	-	-	-	-	36
					36
TOTAL PROGRAM AND SUPPORTING SERVICES	\$ 155,839	\$ 3,604	\$ 2,367	\$ 161,810	\$ 23,812
					\$ 185,622

The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Genesis Services, Inc. (Genesis) is a Nonprofit Corporation organized under the laws of the State of Utah. Its purpose is to provide vocational and rehabilitative services to individuals in the Salt Lake City area who have temporary or permanent physical and/or emotional disabilities with the ultimate goal being permanent job placement for these individuals.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Support and Revenue

Genesis has a Contract for Services with the State of Utah Department of Human Services to provide services for individuals with disabilities who meet the eligibility criteria for the Division of Services for People with Disabilities. The billing for services is on a cost reimbursement basis based on individual units of service provided by Genesis, payable at the allowable established rate by the Division of Services and is open-ended. The Contract is effective as of July 1, 2004 through on June 30, 2007. For the year ended June 30, 2005, 8% of Genesis' revenue was from this contract. The majority of the revenue (90%) comes from the Utah State Department of Education the Division of Rehabilitation Services. The billing for services is on a cost reimbursement basis based on individual units of service provided by Genesis, payable at the allowable established rate by the Division of Rehabilitation Services and is open-ended.

Furniture and Equipment

Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Genesis reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Genesis had no donated equipment for the year ended June 30, 2005. Depreciation is computed using the straight-line method over an estimated useful life for the assets of three to seven year.

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

- Continued

Income Taxes

Genesis is a not-for-profit organization that is exempt from income taxes under provisions of the Internal Revenue Code 503(c)(3).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Genesis considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Expenses

Expenses are charged directly to program services on the statement of functional expenses, where practicable. Expenses, which are not specifically identifiable to certain programs, are allocated based on estimates provided by management.

Advertising

Advertising costs are charged to operations when incurred. The organization has no direct-response advertising.

NOTE B - RELATED PARTY TRANSACTIONS

The loans from officers are unsecured, non-interest bearing advances that are due upon demand. For generally accepted accounting principle purposes, interest has been accrued at a rate of 8% on the loans and recorded as interest expense in the financial statements. Since the interest expense will not be paid because the loans carry no interest, the offset to interest expense has been recorded as contributed interest income in the financial statements instead of an accrued liability.

NOTE C - BANK LOAN / LINE OF CREDIT

Genesis has a line of credit for \$5,000 with a bank. The line is unsecured, carries interest at a rate that fluctuates monthly approximately between 14% to 16% and has no maturity date. Genesis is required to pay interest monthly along with a minimum monthly payment of approximately 4.5% of the previous month's outstanding loan principal amount.

NOTE D- GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the company as a going concern. As shown in the financial statements, the company incurred a net loss of \$9,997 for the year ending June 30, 2005. The company has been going farther into debt to continue its operations. At June 30, 2005, liabilities exceeded assets by \$24,667.